

Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 ABF-01 L-03 /056 W

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R 011837Z OCT 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 1600

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: POLITICAL RISK CONVERTIBILITY INSURANCE

(OPIC)

FOR OPIC

REF: STATE 191056, SAN JOSE 3947

1. POST INTERVIEWED AMERICAN BUSINESSMEN, COMMERCIAL BANKS, GOCR CENTRAL BANK OFFICIALS RE EXCHANGE CONTROL REGULATIONS AND PRACTICES.

2. CURRENT REGULATIONS ON TRANSFER OF CURRENCIES IN OFFICIAL FOREIGN EXCHANGE MARKET ARE CONTAINED IN REGULATION ISSUED BY COSTA RICAN CENTRAL BANK MAY 6, 1974 (COPY POUCHED OPIC ATTN: GRAHAM WILLIAMS).

3. ESSENTIALLY, FOREIGN INVESTMENTS AND FOREIGN LOANS MUST BE REGISTERED WITH CENTRAL BANK TO SECURE RIGHT
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OF RECONVERSION OR REPAYMENT VIA OFFICIAL FOREIGN

EXCHANGE MARKET. CENTRAL BANK REPRESENTATIVES IN COMMERCIAL BANKS ARE AUTHORIZED TO APPROVE PURCHASE OF FOREIGN EXCHANGE UP TO U.S. DOLLARS 50,000 UPON PRESENTATION OF REQUIRED DOCUMENTATION. IN CASE OF REPATRIATION OF PROFITS, THIS INCLUDES EVIDENCE THAT TAXES HAVE BEEN PAID BY COMPANY AND COMPANY FINANCIAL STATEMENT. FOR DIVIDENDS, COPY OF COMPANY'S DECLARATION OF DIVIDEND REQUIRED, AND FOR REPAYMENT OF LOANS AND INTEREST, COPY OF LOAN AGREEMENT. (IF REPATRIATION OF MORE THAN \$50,000 DESIRED, APPLICATION REFERRED TO CENTRAL BANK TO PERMIT COORDINATION IN ADJUSTMENT OF CENTRAL BANK BALANCES HELD IN EXTERNAL ACCOUNTS).

4. AMERICAN BUSINESSMEN INDICATE REPATRIATION OF PROFITS; LOAN AND INTEREST PAYMENTS NORMALLY TAKE 5-6 DAYS. BANKS INDICATE NORMAL PROCESSING TIME (WITHOUT FOLLOW UP) FOR REQUESTS REFERRED TO CENTRAL BANK DOES NOT EXCEED TWO MONTHS. NOTE THAT IN CASE OF LOAN AND INTEREST PAYMENTS, WHERE AMOUNT IS KNOWN IN ADVANCE, APPLICATIONS CAN BE SUBMITTED IN SUFFICIENT TIME TO ASSURE TIMELY PAYMENT.

5. WHAT OPIC MUST BE CONCERNED ABOUT, HOWEVER, IS NOT WHAT HAPPENS IN NORMAL TIMES BUT WHAT MIGHT HAPPEN IN AN ABNORMAL PERIOD DURING A BALANCE OF PAYMENTS CRISIS. AT SUCH A TIME, IT WOULD NOT BE SURPRISING IF A PASSIVE BLOCKAGE OF OVER 60 DAYS OCCURRED EVEN THOUGH THE COSTA RICAN GOVERNMENT COULD BE EXPECTED TO EVENTUALLY CARRY OUT ITS UNDERTAKINGS TO ALLOW FULL REPATRIATION. IT SEEMS QUESTIONABLE THAT OPIC WOULD WISH TO BE PUT INTO A POSITION OF MAKING AN AUTOMATIC PAYOFF UNDER SUCH CONDITIONS.

6. RE PARA 6 REFTTEL, OIL PRICE INCREASE WILL FURTHER WEAKEN COSTA RICA'S ALREADY DIFFICULT BALANCE OF PAYMENTS POSITION, BUT THE EMBASSY WOULD NOT EXPECT COSTA RICA TO BE FORCED TO ABANDON ITS POLICY OF UNRESTRICTED REPATRIATION OF EARNINGS ON REGISTERED FOREIGN INVESTMENT.
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Margaret P. Grafeld
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